Nevada Prepaid Tuition Program

Fiscal Year 2005 Annual Report

Brian K. Krolicki
State Treasurer

Brian K. Krolicki
State Treasurer

John E. Adkins
Chief Deputy Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
NEVADA PREPAID TUITION PROGRAM

March 31, 2006

The Honorable Kenny C. Guinn
Governor of the State of Nevada
Capitol Building
Carson City, Nevada 89701

Dear Governor Guinn:

In accordance with Nevada Revised Statute 353B.170, I respectfully submit the Fiscal Year 2005 Nevada Prepaid Tuition Program Annual Report on behalf of the Board of Trustees of the College Savings Plans of Nevada.

The seventh annual enrollment period, which was open from September 7, 2004 until January 31, 2005, enrolled an additional 718 children in the program. This brought the total number of enrollees in the Program to 11,240 as of June 30, 2005, with over $76 million invested on their behalf. The primary factor contributing to the increase in enrollees over the previous enrollment period was additional public presentations conducted by the State Treasurer's office, which helped parents understand the benefits of a 529 plan in saving early for their children's college tuition.

The Nevada Prepaid Tuition Program continued to contract with GIF Services for investment services during FY 05, which insures professional investment management services for the Higher Education Tuition Trust Fund. For the fiscal year ended June 30, the Nevada Higher Education Tuition Trust Fund has returned earnings of 9.16%. The fixed income investments exceeded the benchmark by 41 basis points and the equity investments exceeded the benchmark by 118 basis points. Over the last 12 months, the portfolio's shorter than benchmark duration strategy and "barbell" maturity structure were the key drivers of this good performance.

The Board works closely with GIF Services to analyze and support the fiscal strength of the Nevada Higher Education Tuition Trust Fund. The Board has directed the investment of the assets be divided equally between fixed income and equities. The equity side is then further diversified to include 57% in Large Cap Equities, 21% in Mid Cap Equities and 22% in Small Cap Equities. As a reminder, the monies used to support the Program are derived from the Program's Trust Fund, not the State's general fund.

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Milliman USA continues to serve as the Program's actuary and Kafoury Armstrong continues to serve as the independent auditor for the Program, which received a clean audit for FY 05 with no exceptions noted. The FY 05 Actuarial Valuation shows that the program has sufficient assets to cover the actuarially estimated cost of all the tuition obligations under the contracts outstanding. The actuaries project a $30.1 million surplus in the year 2026 when all obligations are paid in full. The FY 05 annual actuarial valuation report and the annual audit are both included in this Annual Report.

The Nevada Prepaid Tuition Program addressed several challenges during Fiscal Year 2005:

- Exploring ways to increase exposure of the Program to new participants with the limited marketing funds authorized by the Legislature.
- Pay tuition on behalf of 639 beneficiaries matriculating to college in FY 05, an increase of 208 since FY04.
- Examine alternative investments and reallocation of the equity and fixed income portfolios of the Trust Fund.
- Continue to adapt to the changing marketplace of college savings programs.
- Continue to work with the National Association of State Treasurers and College Savings Plans Network Federal Initiatives Committee to gain congressional support for legislation that would make permanent the favorable tax provisions currently in place for Section 529 plans. As a result of our combined efforts, 114 members of the House of Representatives have signed onto HR 2386 and 54 members of the Senate have joined as Cosponsors to S 1112.

Thank you for your continued support of the Nevada Prepaid Tuition Program.

Best regards,

Brian K. Krolicki
State Treasurer

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PROGRAM STATISTICS SUMMARY

Attached are tables of demographic information collected from the enrollment forms submitted by purchasers who enrolled children in the Program. This is optional information submitted by purchasers on a strictly voluntary basis. The information collected is presented by enrollment year and on a cumulative basis. Statistics are collected for the following data elements:

Choice of Plans and Payment Options
Contracts by County
Beneficiary’s Age and Grade
Race of Beneficiary
Beneficiary’s Relationship to Purchaser
Purchaser Education Level
Purchaser Income Range
Referral Source- How the Purchaser First Learned of the Program
Liability by Projected Enrollment Year

After seven years of collecting this information, the following trends have emerged:

- The four-year university plan remains the most popular, with 74.9% choosing this plan option during Fiscal Year 2005.

- The five year and extended monthly installment payment options are the most popular, with 44% selecting these options in FY 05. The lump sum and down payment option plans were chosen by the remaining 56%.

- Residents of Clark County purchased 54.18% of the contracts and residents of Washoe County purchased 27.86% of the contracts in FY 05.

- More parents are saving early for college expenses. In FY 2005, newborns accounted for 21.73% of the beneficiaries, compared to only 14.97% of the cumulative total since 1998. The average age of the beneficiary is still six years old.

- Forty two percent (42.62%) of the beneficiaries are caucasian for contracts sold in FY 05. The next largest groups of beneficiaries are asian and hispanic, accounting for approximately 8% and 5% respectively of the FY 05 contracts sold. African-Americans account for 2.09% and native americans account for 0.56% of the beneficiaries.

- Parents purchased the largest percentage of contracts (81.89%) for their children in FY 05, followed by grandparents (10.31%).

- Purchasers holding a bachelor's degree increased slightly from 27.14% last year to 27.16% this year. The number of purchasers holding either a high school diploma or GED was 16.85%, while the number of purchasers holding a master's degree or Ph.D was 12.68%.

- Purchasers with annual household incomes under $49,000 represented 9.47% of the purchasers. Purchasers with annual household incomes ranging from $50,000 to $79,000 represented 20.61% of the purchasers.

- The referral source has changed since the inception of the Program. During the first three enrollment periods, approximately 40% of purchasers stated they learned about the Program through television and radio advertising. In FY 05 11.7% learned about the Program through word of mouth and 14.07% from the state treasurer's website.

CHOICE OF PLANS AND PAYMENT OPTIONS

2 YEAR COMMUNITY COLLEGE PLAN

PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
LUMP SUM	9	21	14	10	4	7	18	83
DOWN PAYMENT	-	-	4	3	2	4		13
EXTENDED MONTHLY	95	100	-	-	-	-		195
5 YR MONTHLY	51	34	-	-	-	-		85
MONTHLY	-	-	103	20	9	17	25	174
TOTAL	155	155	121	33	15	28	43	550

2 YEAR COMMUNITY COLLEGE + 2 YR UNIVERSITY PLAN

PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
LUMP SUM	52	61	41	17	12	9	12	204
DOWN PAYMENT	-	-	27	17	8	7	20	79
EXTENDED MONTHLY	192	172	-	-	-	-		364
5 YR MONTHLY	96	105	-	-	-	-		201
MONTHLY	-	-	199	58	25	15	45	342
TOTAL	340	338	267	92	45	31	77	1,190

SUMMARY OF PAYMENT OPTIONS

PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
LUMP SUM	24.50%	26.20%	21.70%	33.50%	35.80%	41.00%	33.00%	27.05%
MONTHLY	75.50%	73.80%	65.30%	50.50%	19.40%	41.00%	44.00%	72.95%
DOWN PAYMENT	0.00%	0.00%	13.00%	16.00%	44.80%	18.00%	23.00%	

2 YEAR UNIVERSITY PLAN

PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
LUMP SUM	-	-	19	17	10	13	17	76
DOWN PAYMENT	-	-	17	5	4	4	16	46
EXTENDED MONTHLY	-	-	-	-	-	-		-
5 YR MONTHLY	-	-	-	-	-	-		-
MONTHLY	-	-	136	35	15	12	27	225
TOTAL	-	-	172	57	29	29	60	347

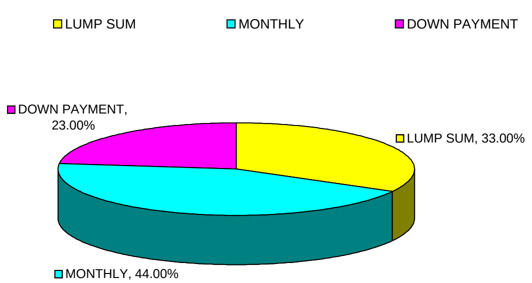
4 YEAR UNIVERSITY PLAN

PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
LUMP SUM	647	667	485	368	173	163	187	2,690
DOWN PAYMENT	-	-	287	171	94	69	129	750
EXTENDED MONTHLY	937	888	-	-	-	-		1,825
5 YR MONTHLY	804	802	-	-	-	-		1,606
MONTHLY	-	-	1,250	508	200	148	222	2,328
TOTAL	2,388	2,357	2,022	1,047	467	380	538	9,199

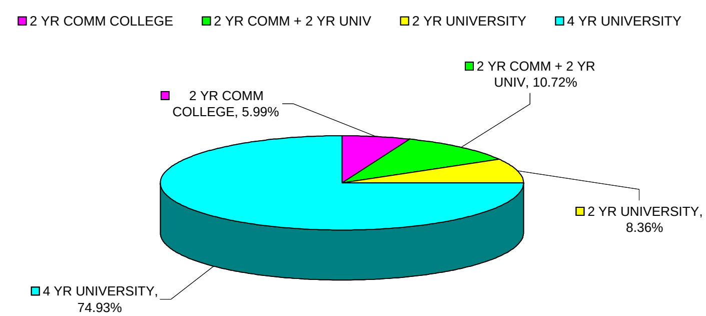
SUMMARY OF PLAN OPTIONS

PLAN OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	COMBINED
2 YR COMM COLLEGE	5.40%	5.40%	4.70%	2.70%	2.70%	5.98%	5.99%	4.87%
2 YR COMM + 2 YR UNIV	11.80%	11.90%	10.30%	7.50%	8.10%	6.62%	10.72%	10.54%
2 YR UNIVERSITY	0.00%	0.00%	6.70%	85.20%	5.30%	6.20%	8.36%	3.07%
4 YR UNIVERSITY	82.80%	82.70%	78.30%	4.60%	83.90%	81.20%	74.93%	81.51%

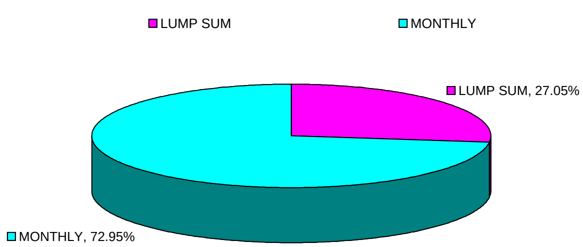
FY 05 PAYMENT OPTION



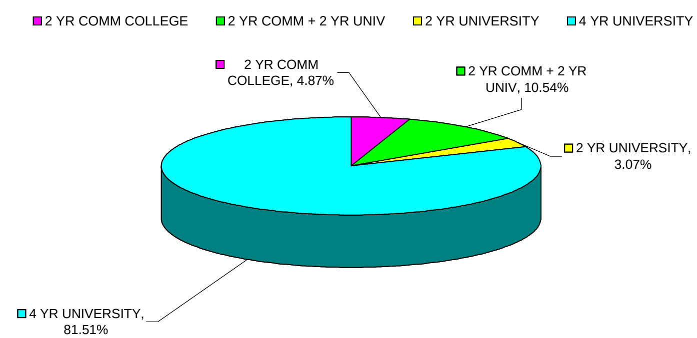
FY 05 PLAN OPTION



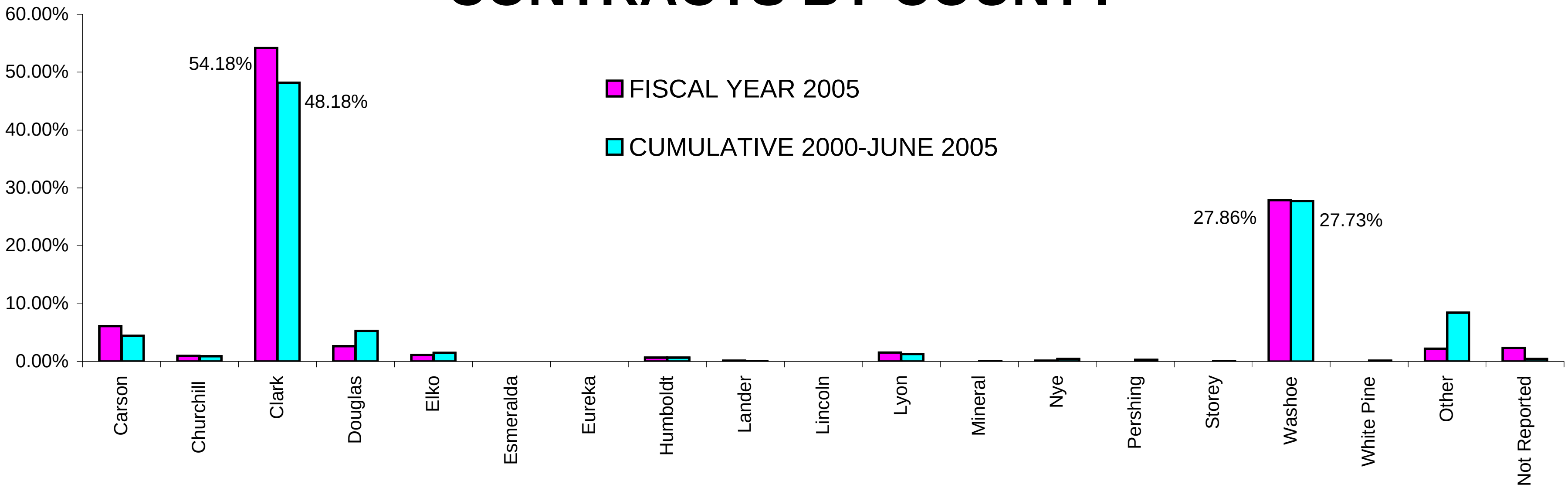
CUMULATIVE PAYMENT OPTION



CUMULATIVE PLAN OPTION



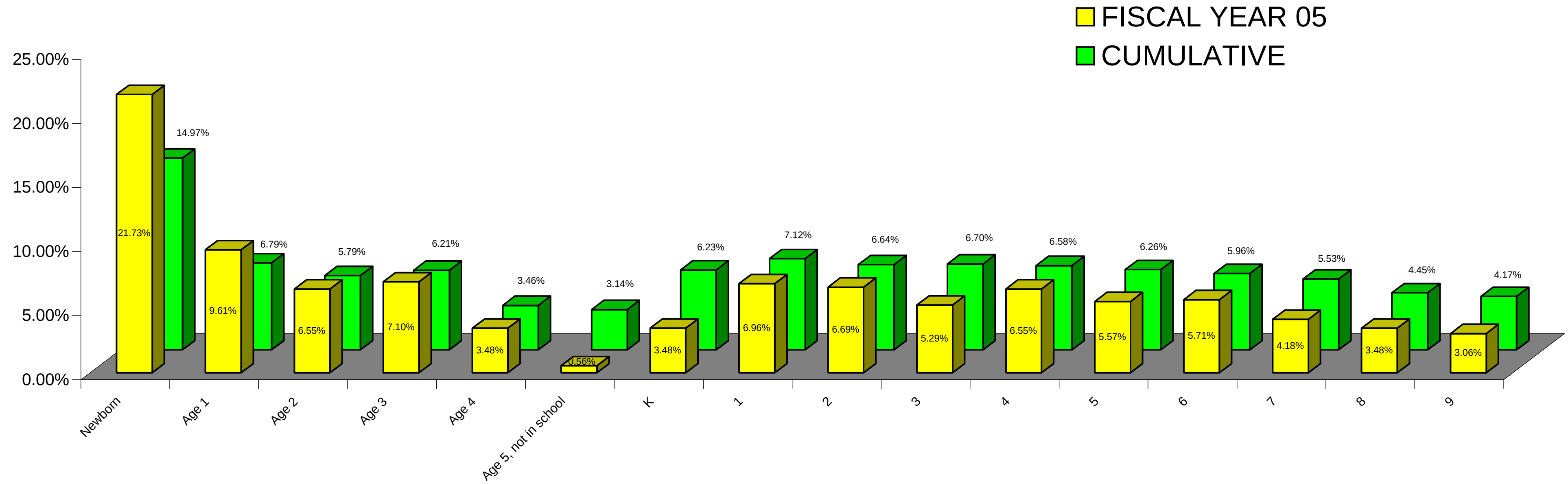
CONTRACTS BY COUNTY



FISCAL YEAR 2005			CUMULATIVE 2000-JUNE 2005		
COUNTY	**COUNT**	**%**	**COUNTY**	**COUNT**	**%**
Carson	44	6.13%	Carson	324	4.41%
Churchill	7	0.97%	Churchill	69	0.94%
Clark	389	54.18%	Clark	3536	48.18%
Douglas	19	2.65%	Douglas	389	5.30%
Elko	8	1.11%	Elko	108	1.47%
Esmeralda	0	0.00%	Esmeralda	0	0.00%
Eureka	0	0.00%	Eureka	0	0.00%
Humboldt	5	0.70%	Humboldt	51	0.69%
Lander	1	0.14%	Lander	4	0.05%
Lincoln	0	0.00%	Lincoln	0	0.00%
Lyon	11	1.53%	Lyon	96	1.31%
Mineral	0	0.00%	Mineral	6	0.08%
Nye	1	0.14%	Nye	32	0.44%
Pershing	0	0.00%	Pershing	23	0.31%
Storey	0	0.00%	Storey	2	0.03%
Washoe	200	27.86%	Washoe	2035	27.73%
White Pine	0	0.00%	White Pine	11	0.15%
Other	16	2.23%	Other	621	8.46%
Not Reported	17	2.37%	Not Reported	32	0.44%
Total	718	100.00%	Total	7339	100.00%

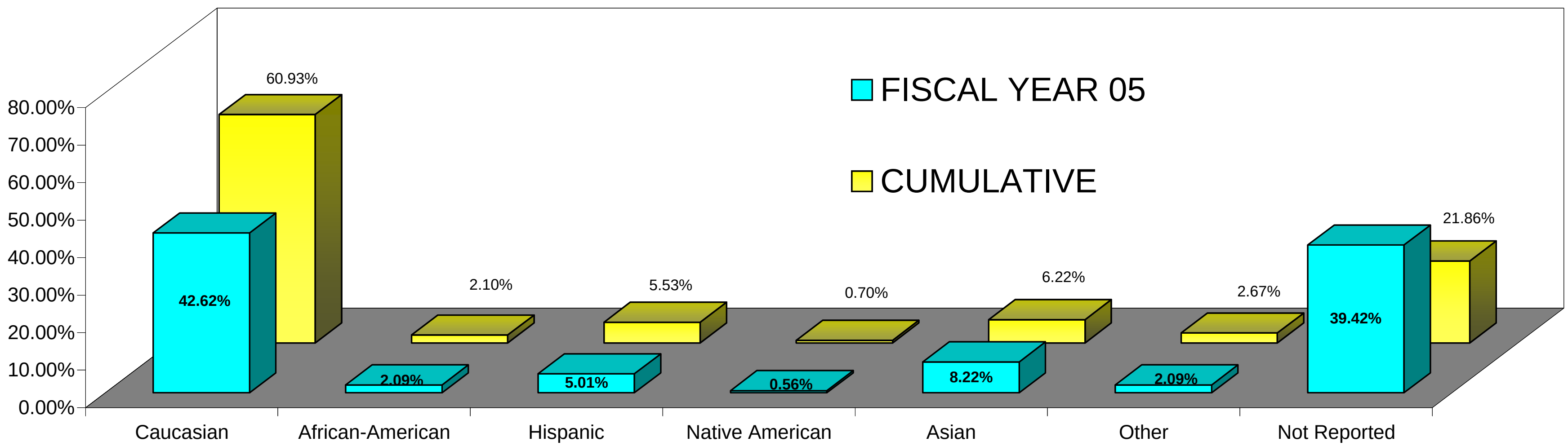
Note: Program did not track this data in 1998 & 1999

BENEFICIARY'S AGE/GRADE



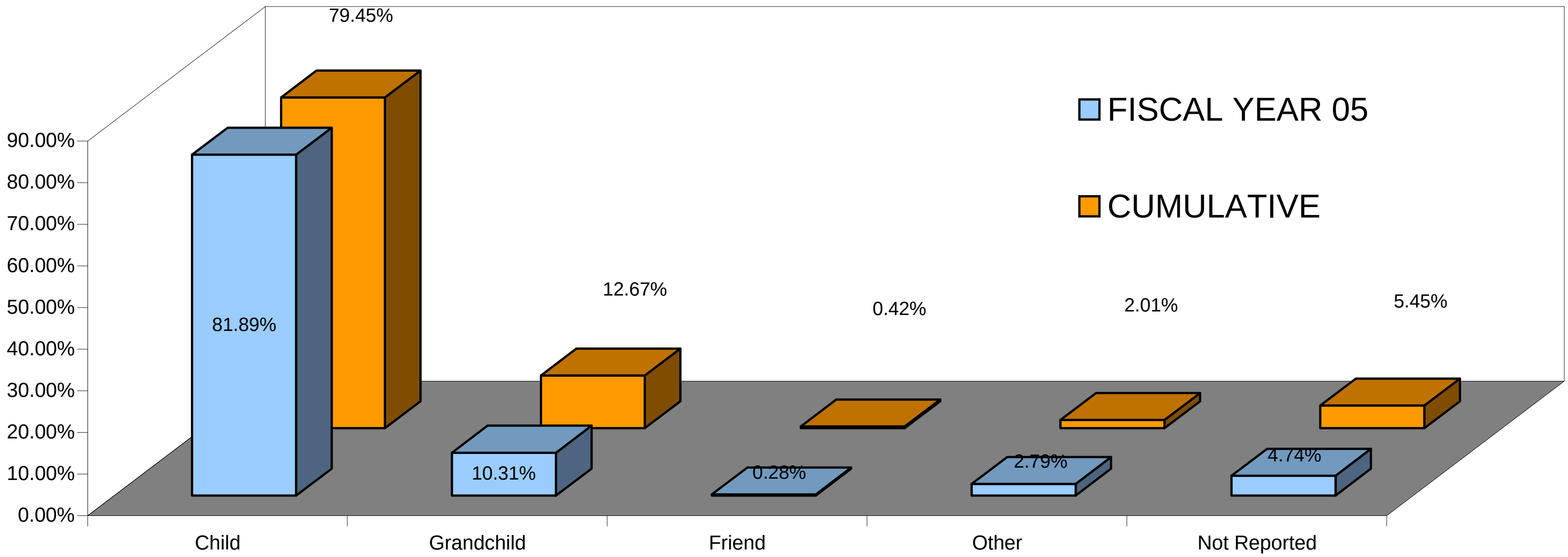
	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		CUMULATIVE	
	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
Newborn	233	8.85%	304	11.81%	342	18.74%	215	18.74%	199	35.79%	137	29.27%	156	21.73%	1586	14.97%
Age 1	159	6.04%	154	5.98%	143	5.72%	98	8.54%	34	6.12%	62	13.25%	69	9.61%	719	6.79%
Age 2	153	5.81%	161	6.25%	130	5.20%	80	6.97%	27	4.86%	16	3.42%	47	6.55%	614	5.79%
Age 3	186	7.06%	149	5.79%	154	6.16%	67	5.84%	27	4.86%	24	5.13%	51	7.10%	658	6.21%
Age 4	100	3.80%	92	3.57%	85	3.40%	30	2.62%	17	3.06%	18	3.85%	25	3.48%	367	3.46%
not in school	101	3.84%	92	3.57%	85	3.40%	39	3.40%	8	1.44%	4	0.85%	4	0.56%	333	3.14%
K	170	6.46%	170	6.60%	173	6.92%	73	6.36%	24	4.32%	25	5.34%	25	3.48%	660	6.23%
1	189	7.18%	201	7.81%	172	6.88%	79	6.89%	35	6.29%	28	5.98%	50	6.96%	754	7.12%
2	203	7.71%	169	6.57%	172	6.88%	68	5.93%	24	4.32%	20	4.27%	48	6.69%	704	6.64%
3	193	7.33%	168	6.53%	197	7.88%	68	5.93%	31	5.58%	15	3.21%	38	5.29%	710	6.70%
4	183	6.95%	181	7.03%	168	6.72%	75	6.54%	24	4.32%	19	4.06%	47	6.55%	697	6.58%
5	172	6.53%	162	6.29%	172	6.88%	67	5.84%	29	5.22%	21	4.49%	40	5.57%	663	6.26%
6	173	6.57%	161	6.25%	156	6.24%	62	5.41%	22	3.96%	16	3.42%	41	5.71%	631	5.96%
7	170	6.46%	159	6.18%	140	5.60%	53	4.62%	14	2.52%	20	4.27%	30	4.18%	586	5.53%
8	134	5.09%	127	4.93%	112	4.48%	34	2.96%	18	3.24%	22	4.70%	25	3.48%	472	4.45%
9	114	4.33%	124	4.82%	99	3.96%	39	3.40%	23	4.14%	21	4.49%	22	3.06%	442	4.17%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	10596	100.00%

RACE OF BENEFICIARY

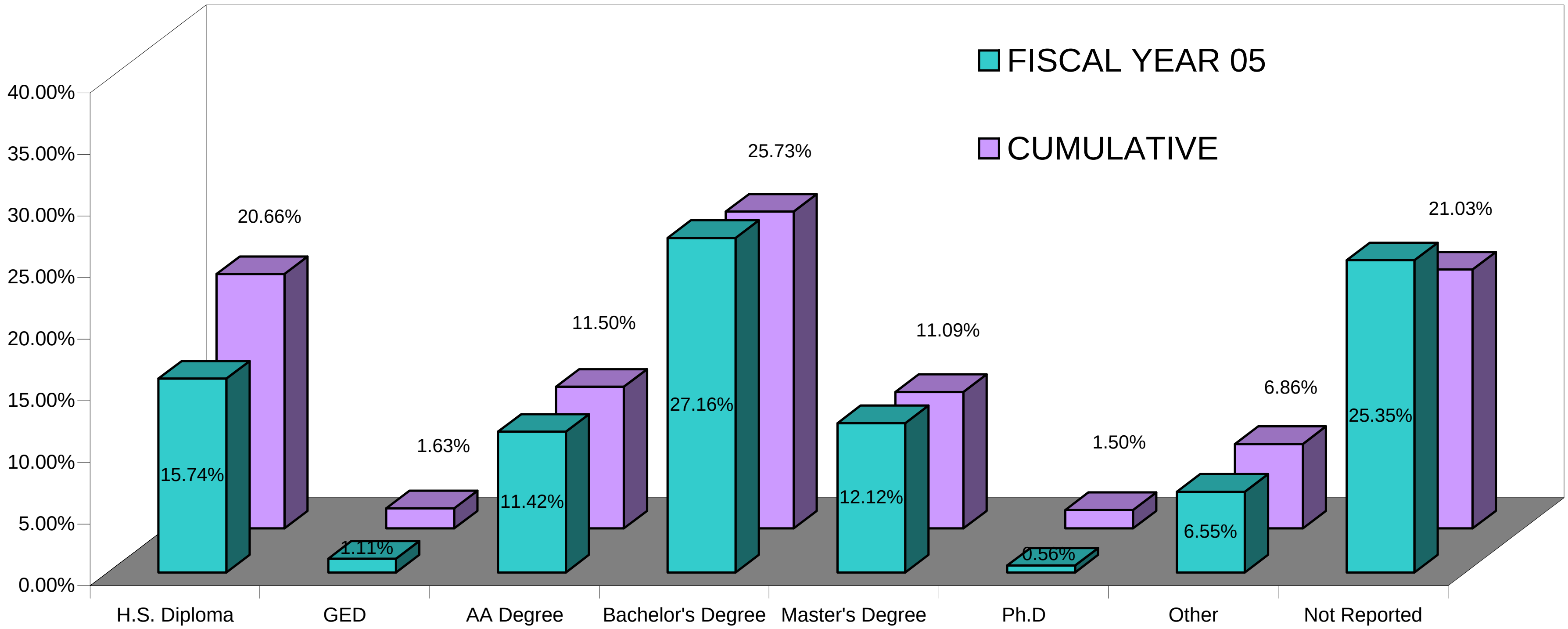


	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		CUMULATIVE	
	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
Caucasian	1852	70.34%	1670	64.88%	1331	53.24%	701	61.12%	331	59.53%	265	56.62%	306	42.62%	6456	60.93%
African-American	52	1.97%	66	2.56%	43	1.72%	30	2.62%	8	1.44%	8	1.71%	15	2.09%	222	2.10%
Hispanic	145	5.51%	124	4.82%	167	6.68%	55	4.80%	30	5.40%	29	6.20%	36	5.01%	586	5.53%
Native American	23	0.87%	17	0.66%	20	0.80%	7	0.61%	2	0.36%	1	0.21%	4	0.56%	74	0.70%
Asian	149	5.66%	164	6.37%	139	5.56%	69	6.02%	41	7.37%	38	8.12%	59	8.22%	659	6.22%
Other	66	2.51%	75	2.91%	77	3.08%	26	2.27%	9	1.62%	15	3.21%	15	2.09%	283	2.67%
Not Reported	346	13.14%	458	17.79%	723	28.92%	259	22.58%	135	24.28%	112	23.93%	283	39.42%	2316	21.86%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	10596	100.00%

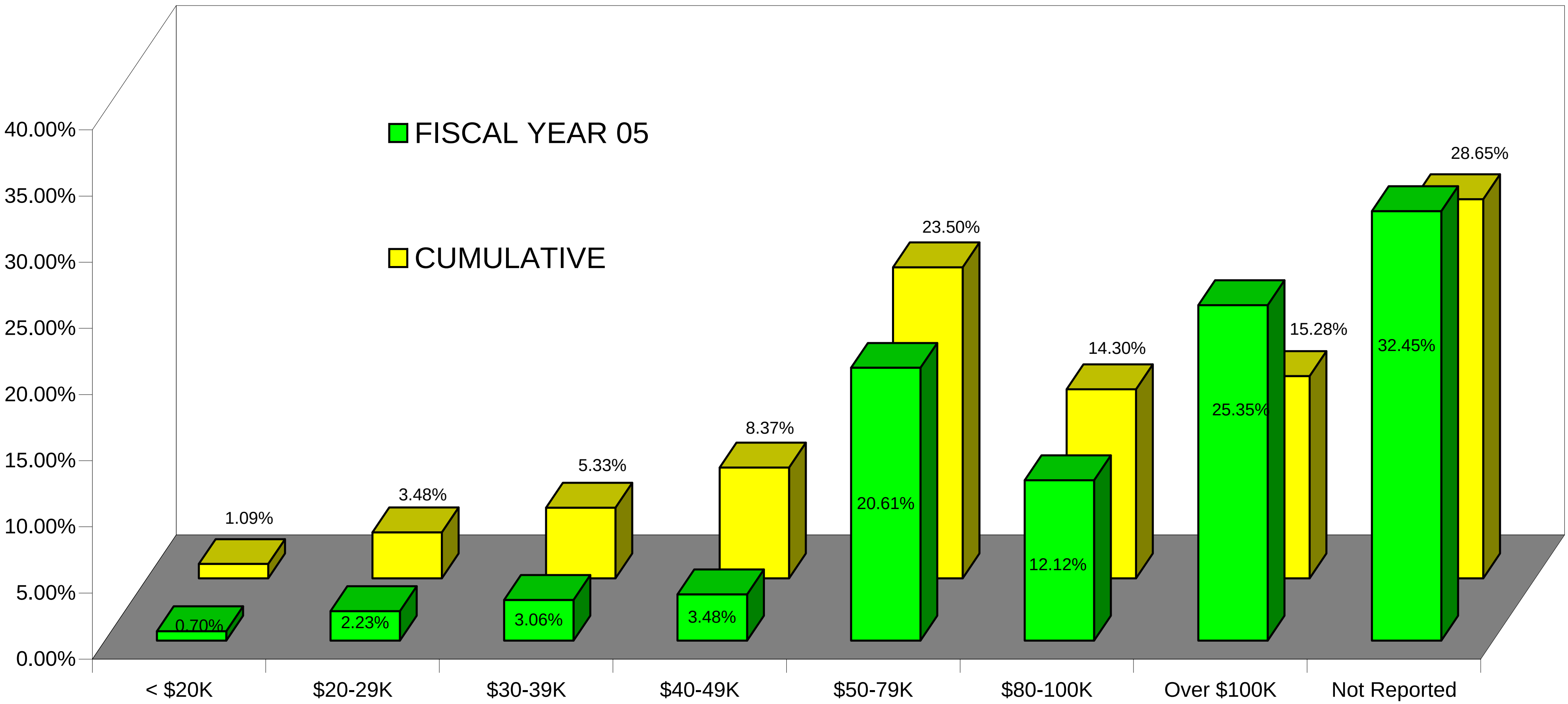
BENEFICIARY'S RELATIONSHIP TO PURCHASER



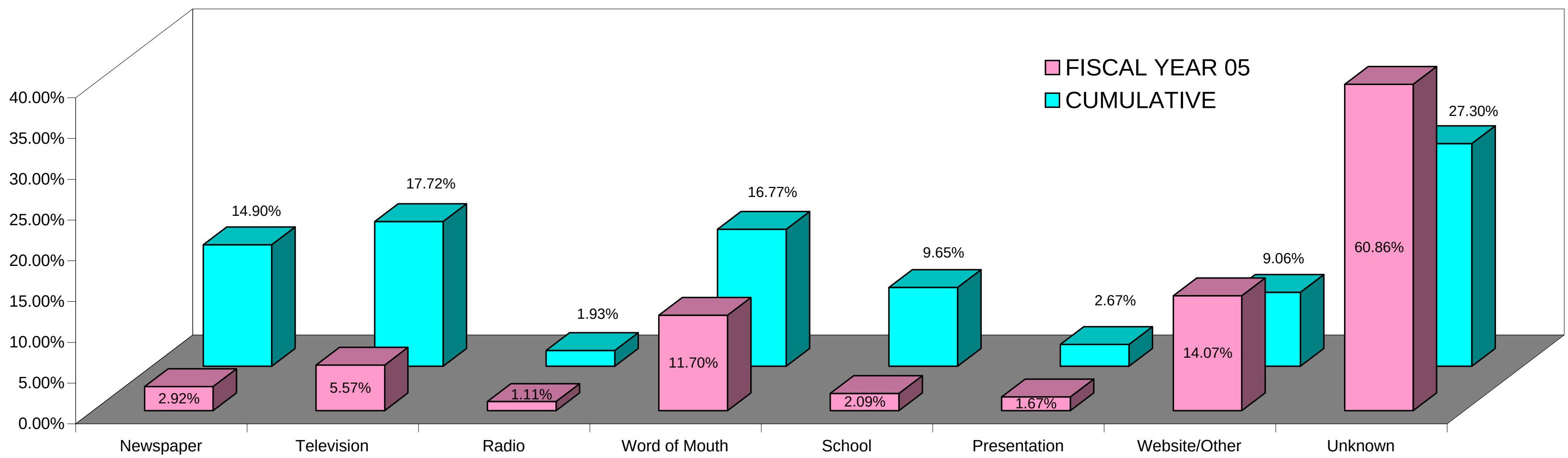
PURCHASER EDUCATION LEVEL



PURCHASER INCOME RANGE



REFERRAL SOURCE



	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		CUMULATIVE	
	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%	COUNT	%
Newspaper	741	28.14%	466	18.10%	203	8.12%	104	9.07%	26	4.68%	18	3.85%	21	2.92%	1579	14.90%
Television	627	23.81%	625	24.28%	360	14.40%	150	13.08%	56	10.07%	20	4.27%	40	5.57%	1878	17.72%
Radio	56	2.13%	76	2.95%	36	1.44%	23	2.01%	2	0.36%	3	0.64%	8	1.11%	204	1.93%
Word of Mouth	375	14.24%	556	21.60%	386	15.44%	243	21.19%	84	15.11%	49	10.47%	84	11.70%	1777	16.77%
School	267	10.14%	358	13.91%	279	11.16%	85	7.41%	10	1.80%	8	1.71%	15	2.09%	1022	9.65%
Presentation	69	2.62%	86	3.34%	86	3.44%	25	2.18%	2	0.36%	3	0.64%	12	1.67%	283	2.67%
Website/Other	372	14.13%	110	4.27%	197	7.88%	112	9.76%	39	7.01%	29	6.20%	101	14.07%	960	9.06%
Unknown	126	4.79%	297	11.54%	953	38.12%	405	35.31%	337	60.61%	338	72.22%	437	60.86%	2893	27.30%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	10596	100.00%

Nevada Prepaid Tuition Program
Liability by Projected Enrollment
as of June 30, 2005

2002	85	.885%
2003	195	2.031%
2004	327	3.406%
2005	409	4.260%
2006	484	5.041%
2007	544	5.666%
2008	585	6.093%
2009	616	6.416%
2010	642	6.687%
2011	615	6.406%
2012	646	6.728%
2013	636	6.624%
2014	577	6.010%
2015	582	6.062%
2016	631	6.572%
2017	549	5.718%
2018	532	5.541%
2019	402	4.187%
2020	197	2.052%
2021	205	2.135%
2022	142	1.479%
	9,601	100.000%

Note: This chart only includes active accounts as of 6/30/05.

FINANCIAL OBJECTIVES AND STRATEGIES

NRS 353B.190 requires the Board to contract with a certified actuary to perform an annual actuarial valuation study. The Program contracted with Milliman, USA in 1999 to provide these actuarial services. Milliman's FY 05 actuarial valuation report states that the Fund has sufficient assets that exceed the best estimate of the obligations by roughly $5.7 million, or 6.2% of obligations. The actuaries determined the stabilization reserve position of the Program improved by $3,743,240 from a reserve of $1,961,058 to a reserve of $5,704,298 as of June 30, 2005.

The Program contracts with GIF Services as the investment advisor. The asset allocation is divided equally between fixed income and equity investments. Atlanta Capital acts as one sub-advisor for the fixed income investments and their investment return was 7.22%, which exceeded the benchmark by 41 basis points. INVESCO acts as the other sub-advisor for the fixed income investments and their investment return was 7.50%, which exceeded the benchmark by 118 basis points. The equity investments are diversified among six different mutual funds: Dodge & Cox Stock Fund, Goldman Mid Cap Value Fund, Vanguard Strategic Equity Fund, FMI Common Stock Fund, American Beacon Small Cap Value Fund and Royce Low-Priced Stock Fund. The equity investments mutual funds composite return was 12.68%, which exceeded the Standard and Poor's 500 benchmark by 636 basis points. The FY 05 earnings for the Fund yielded a 9.16% return overall for the Fund.

NRS 353B.180 requires the Board to contract with a certified public accounting firm to perform an annual audit of the accounts and records of the State Treasurer and the Board. The Program contracted with Kafoury, Armstrong & Co. to conduct this annual financial audit. The audit for Fiscal Year 2005 produced a clean audit with no exceptions.

OBJECTIVES

The financial objectives of the Program have not changed since the inception of the Program. They are:

- Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.

- Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.

- Establish contract plans and payment options that are affordable to most of Nevada's families.

STRATEGIES

Program prices are established in consideration of three basic criteria:

- The assumption regarding the growth rate of tuition at the Nevada System of Higher Education (NSHE).
- The assumption regarding the rate of return on investments.
- The method to allocate the current and future administrative expenses of the Program.

The pricing schedule used for Fiscal Year 2005 increased by approximately 7%, depending on the age of the child and the type of tuition purchased for the enrollment period during FY 2005. This increase was sufficient to cover the material increases in NSHE's tuition costs and the projected market returns on investments.

INVESTMENTS

Investments were made in accordance with the Program Investment Policies approved by the Board of Trustees of the College Savings Plans of Nevada for the Higher Education Tuition Trust Fund. The Board, in accordance with NRS 353B.90 (1), continued the program for prepayment of tuition at the guaranteed rate established by the annual actuarial study. The Board retained its anticipated average rate of market investment returns at 7.5%.

Future objectives and strategies will include a continuing reevaluation of the assumptions used to develop contract prices and the asset allocation of the Trust Fund portfolio in order to ensure its long-term financial integrity.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with independent auditors Kafoury, Armstrong & Co., which performed the audit on the Higher Education Tuition Trust Fund for the year ended June 30, 2005.

The Trust Fund received a clean audit with no qualifications. The material issues to note are:

- The financial statements for the year ended June 30, 2005 reflect a change in accounting principle stemming from the State Controller's reconsideration of the Trust Fund's fund type from a private-purpose trust fund to an enterprise fund.
- Total assets held as of June 30, 2005 increased to $97,276,118 over FY 04 assets of $59,850,979.
- The total operating revenues were budgeted at $12,691,200 but were actually determined to be $15,482,707. This improvement in actual over budgeted figures was a result of increases in interest and the fair value of investments over that originally budgeted.

The financial statements of the Trust Fund have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB).

The Trust Fund has been reclassified as an enterprise fund (a proprietary fund type) of the state of Nevada and thus is included in the state of Nevada's *Comprehensive Annual Financial Report.*

No material weaknesses involving the internal controls over financial reporting were found or reported.

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2005

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2005

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Higher Education Tuition Trust Fund

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2005, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Trust Fund, as of June 30, 2005, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Trust Fund's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied by us in the audit of the financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Kafoury, Armstrong & Co.

Reno, Nevada
November 1, 2005

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 1,651,775
Investment income receivable	281,928
Due from State of Nevada	2,094
Tuition contributions receivable	5,400,000
Investments	75,224,274
Collateral on loaned securities	76,931
	82,637,002
Noncurrent Assets:	
Tuition contributions receivable	14,639,116
Total Assets	97,276,118
LIABILITIES	
Current Liabilities:	
Accounts payable	26,933
Accrued salaries and benefits	33,300
Due to State of Nevada	3,025
Advance from State of Nevada General Fund	125,000
Obligations under securities lending	76,931
Tuition benefits payable	3,200,000
	3,465,189
Noncurrent Liabilities:	
Advance from State of Nevada General Fund	3,523,590
Tuition benefits payable	88,099,000
	91,622,590
Total Liabilities	95,087,779
NET ASSETS	
Unrestricted	$ 2,188,339

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

OPERATING REVENUES	
Charges for sales and services	$ 101,984
Interest, dividends and other investment income	2,496,921
Net increase in fair value of investments	3,602,201
Tuition contributions	9,281,601
Total Operating Revenues	15,482,707
OPERATING EXPENSES	
Personnel costs	261,572
Contract and other administrative services	410,977
Tuition benefits expense	10,146,733
Refunds	676,341
Total Operating Expenses	11,495,623
Change in Net Assets	3,987,084
Net assets, July 1, as originally reported	59,850,979
Cumulative effect of change in accounting principle	(61,649,724)
Net assets (deficit), July 1, as restated	(1,798,745)
Net assets, June 30	$ 2,188,339

See accompanying notes.

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for sales and services	$ 101,984
Tuition contributions received	9,779,298
Payments to suppliers for good and services	(417,547)
Payments to employees	(242,511)
Payments for tuition benefits	(1,031,733)
Payments of refunds	(676,341)
Net Cash Provided by Operating Activities	7,513,150
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments on advance from State of Nevada General Fund	(25,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales or maturities of investments	21,851,040
Purchase of investments	(31,642,629)
Interest, dividends and other investment income received	2,506,406
Net Cash Used by Investing Activities	(7,285,183)
Net Increase in Cash and Cash Equivalents	202,967
Cash and Cash Equivalents, July 1	1,448,808
Cash and Cash equivalents, June 30	$ 1,651,775
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	$ 3,987,084
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Interest and investment income	(2,506,406)
Net increase in fair value of investments	(3,602,201)
Change in assets and liabilities:	
(Increase) decrease in investment income receivable	9,485
(Increase) decrease in due from State of Nevada	(133)
(Increase) decrease in tuition contributions receivable	497,697
Increase (decrease) in accounts payable and accrued liabilities	33,459
Increase (decrease) in due to State of Nevada	(20,835)
Increase (decrease) in tuition benefits payable	9,115,000
Total Adjustments	3,526,066
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,513,150
NONCASH INVESTING ACTIVITIES	
Net increase in fair value of investments	$ 3,602,201

See accompanying notes.

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity:

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, *Prepayment of Tuition At Institutions of Higher Learning*, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board of Trustees (the Board).

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has ten years after the projected college entrance date to begin using the benefits of the contract, or until they reach the age of 30. Exceptions are granted for military service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, non-profit, private or out-of-state college.

The Trust Fund completed its seventh enrollment period on January 31, 2005 with 718 new enrollments, for a total enrollment of 9,601 at June 30, 2005.

Budget:

The budget for the Trust Fund is not legislatively adopted; therefore, a Statement of Revenues, Expenses and Changes in Net Assets – Budget to Actual is not a required part of these financial statements. However, a budget to actual comparison is presented as supplementary information. Total budgeted deductions for the Trust Fund for the fiscal year ended June 30, 2005 were $2,977,500, compared to actual deductions of $11,495,623. The Deputy Treasurer and the Board exercise oversight responsibilities, including budgetary and financial oversight.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus and Basis of Accounting:

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada (State) and thus is included in the State of Nevada's *Comprehensive Annual Financial Report.* The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. In addition, interest, dividends and other investment income are considered operating revenues given the purpose of the Trust Fund.

The Trust Fund applies all applicable GASB pronouncements in accounting and reporting for proprietary activities, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure, (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989 in accounting and reporting for its operations.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (3 months or less) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash pooled with the State Treasurer and money market mutual funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Custodian and Transfer Agent:

Wells Fargo Bank is the custodian and transfer agent for the Trust Fund.

Investment Valuation and Income Recognition:

Investments are reported at fair value as determined by quoted market prices. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable:

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

NOTE 2 – CASH AND INVESTMENTS:

Trust Fund amounts on deposit and invested with the State Treasurer totaled \$143,468 at June 30, 2005. Information related to the risks and securities lending transactions of the State Treasurer's pooled investments is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2005.

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;

NOTE 2 – CASH AND INVESTMENTS (Continued):

- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States;
- "A-3", "P-3" or better rated commercial paper;
- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, debenture or other security in the Student Loan Marketing Association;
- "AAA" rated collateralized mortgage obligations, asset-backed securities, and money market mutual funds whose policies meet the criteria set forth in statute;
- Common or preferred stock of corporations that have a total market value of not less than $50,000,000;
- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security whose policies meet the criteria set forth in statute; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 7 to 10 years, while taking into consideration current and near-term liquidity needs. As of June 30, 2005 the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – CASH AND INVESTMENTS (Continued):

		Maturities, in Years			
	Fair Value	Less Than 1	1-5	6-10	More than 10
Investments:					
Corporate notes	$ 3,659,459	$ -	$ 2,028,139	$ 582,253	$ 1,049,067
U.S. Agencies	10,438,095	548,658	1,200,426	1,506,107	7,182,904
Collateralized mortgage obligations	2,239,805	-	25,367	211,266	2,003,172
Asset-backed securities	3,526,720	-	2,535,773	393,336	597,611
U.S. Treasury bills	492,700	492,700	-	-	-
U.S. Treasury notes	11,929,823	3,994,520	3,240,573	2,624,343	2,070,387
Cash equivalent:					
Money market mutual funds	1,508,307	1,508,307	-	-	-
	$ 33,794,909	$ 6,544,185	$ 9,030,278	$ 5,317,305	$ 12,903,141

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds) as of June 30, 2005 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

		Credit Quality Ratings		
	Fair Value	AAA	AA	A
Investments:				
Corporate notes	$ 3,659,459	$ 204,693	$ 53,346	$ 3,401,420
U.S. Agencies	8,614,571	8,614,571	-	-
Collateralized mortgage obligations	2,239,805	2,239,805	-	-
Asset-backed securities	3,526,720	3,526,720	-	-
Cash equivalent:				
Money market mutual funds	1,508,307	1,508,307	-	-
	$ 19,548,862	$ 16,094,096	$ 53,346	$ 3,401,420

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 – NONCURRENT LIABILITIES:

Noncurrent liabilities of the Trust Fund include tuition benefits payable, which represent the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses of the Trust Fund.

In addition, noncurrent liabilities include an advance from the State of Nevada's General Fund. Commencing July 2003, the Trust Fund no longer received advances from the General Fund and began repayment. Beginning July 1, 2005 the State of Nevada's Upromise College Fund 529 Plan has committed to provide funding to the Trust Fund for payment on the advance.

Changes in the Trust Fund's noncurrent liabilities are as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Due Within One Year
Tuition benefits payable	$ 82,184,000	$ 9,115,000	$ -	$ 91,299,000	$ 3,200,000
				-	
Advance from State of				-	
Nevada General Fund	3,673,590	-	25,000	3,648,590	125,000
	$ 85,857,590	$ 9,115,000	$ 25,000	$ 94,947,590	$ 3,325,000

NOTE 4 – TUITION CONTRIBUTIONS AND TUITION BENEFITS EXPENSE:

The tuition contributions of $9,281,601 and the tuition benefits expense of $10,146,733 on the Statement of Revenues, Expenses and Changes in Net Assets represent the annual accrual of contributions and benefit expenses for the year ended June 30, 2005 as determined by the actuarial valuation and adjusted by the actual activity for the fiscal year.

NOTE 5 – PENSION PLAN:

Employees of the Trust Fund are employees of the State of Nevada. The employees participate in a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of

STATE OF NEVADA
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HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – PENSION PLAN (Continued):

Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2005.

NOTE 6 – RISK MANAGEMENT:

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.

NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLE:

The financial statements for the year ended June 30, 2005 reflect a change in accounting principle stemming from reconsideration of the Trust Fund's fund type from a private-purpose trust fund to an enterprise fund. The change in fund type results in the reporting of an actuarially determined receivable for the present value of future installment payments anticipated from contract holders, and an actuarially determined liability for the present value of future tuition benefit obligations. The impact to the Trust Fund's beginning net assets is as follows:

Net Assets, July 1, as originally reported		$ 59,850,979
Cumulative effect of change in accounting principle		
Tuition contributions receivable	$ 20,534,276	
Tuition benefits payable	(82,184,000)	(61,649,724)
Net Assets (Deficit), July 1, as restated		$ (1,798,745)

STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE TO BUDGET
OPERATING REVENUES			
Charges for sales and services	$ 91,200	$ 101,984	$ 10,784
Interest, dividends and other investment income	2,100,000	2,496,921	396,921
Net increase in fair value of investments	-	3,602,201	3,602,201
Tuition contributions	10,500,000	9,281,601	(1,218,399)
Total Operating Revenues	12,691,200	15,482,707	2,791,507
OPERATING EXPENSES			
Personnel costs	274,277	261,572	12,705
Contract and other administrative services	378,223	410,977	(32,754)
Tuition benefits expense	1,500,000	10,146,733	(8,646,733)
Refunds	825,000	676,341	148,659
Total Operating Expenses	2,977,500	11,495,623	(8,518,123)
Change in Net Assets	9,713,700	3,987,084	(5,726,616)
Net assets, July 1, as originally reported	57,297,308	59,850,979	2,553,671
Cumulative effect of change in accounting principle	-	(61,649,724)	(61,649,724)
Net assets (deficit), July 1, as restated	57,297,308	(1,798,745)	(59,096,053)
Net assets, June 30	$ 67,011,008	$ 2,188,339	$ (64,822,669)

SUMMARY OF ACTUARIAL VALUATION REPORT

NRS 353B.190 requires the Program to contract with a certified actuary to perform an annual actuarial valuation study of the Trust Fund. The Actuarial Valuation Report prepared by Milliman USA is included in this annual report. The Actuarial Valuation Report acknowledges that the Nevada Prepaid Tuition Program has sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date.

As of June 30 2005, the report shows that the Higher Education Tuition Trust Fund had assets that exceed the best estimate of the obligations by roughly $5.7 million or 6.2% of obligations.

- During FY 05, the stabilization reserve position of the Program improved from a surplus of $1,961,057 to a stabilization reserve surplus of $5,704,298.

- The improvement is primarily attributable to contributions to the stabilization reserve from new sales and investment gains.

- The return on Fund investments was approximately 8.6% on a dollar-weighted basis. In the previous valuation, a 7.5% return was assumed. Thus, actual investment returns were 1.1% higher than expected. This increased the FY 05 reserve by $723,284.

- Milliman estimates that a fund balance of $91.3 million would be 100% of their "Best Estimate" Reserve needed. As of June 30, 2005, the actual fund balance is $97 million (the present value of obligations for future tuition payments), or 106% of the actuarially determined "Best Estimate" Reserve.

- The Trust Fund consistently receives contract payments from existing installment purchasers of approximately $500,000 per month.

- The starting Market Value of Investments as of July 1, 2005 is $77 million. At the end of the 2026 fiscal year when all tuition obligations associated with units already purchased are expected to have been paid, the Trust Fund is expected to have a resulting residual surplus stabilization reserve of $30.1 million.

Milliman USA highlights the point that the Board of Trustees has taken, and will continue to take, the necessary steps to improve the soundness of the program and to increase the Stabilization Reserve.

ACTUARIAL VALUATION
OF THE
NEVADA PREPAID TUITION PROGRAM

JUNE 30, 2005

By:

ALAN H. PERRY, FSA, CFA
WILLIAM A. REIMERT, FSA, CFA

A MILLIMAN GLOBAL FIRM
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November 4, 2005

Nevada Prepaid Tuition Program
101 North Carson Street
Suite 4
Carson City, NV 89701

Ladies and Gentlemen:

This report presents the results of the actuarial valuation of the Nevada Prepaid Tuition Program as of June 30, 2005.

<u>Purpose</u>

The main purposes of this report are:

- to calculate the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2005 and compare the value of those obligations with the assets in the Fund as of that date;

- to review the experience and changes in the actuarial assumptions and methods during the last year and indicate their effects on the results; and

- to set forth the basis for the actuarial assumptions and methods utilized in those calculations.

The results contained in this report are based on contract data and preliminary financial statements provided by the Nevada Prepaid Tuition Program. We have relied on this data in preparing this report.

<u>Certification</u>

Based on the following, the Nevada Prepaid Tuition Program has sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date. This determination has been based on reasonable actuarial assumptions that represent the Program's best estimate of anticipated experience under the Prepaid Tuition Program taking into account past experience and future expectations. Since the results of the valuation are dependent on the actuarial assumptions used, actual results can be expected to deviate from the figures indicated in this report to the extent that future experience differs from those assumptions.

Background

Chapter 353B of the Nevada Revised Statutes created the Nevada Prepaid Tuition Program to help families save for the cost of higher education. The Act created the Nevada Higher Education Tuition Trust Fund Board of Trustees (the "Board"). Section 353B.090 stated "The board shall develop a program for the prepayment of tuition at a guaranteed rate which is established based on the annual actuarial study required pursuant to NRS 353B.190 for undergraduate studies at a university or community college that is a member of the system."

This Act also created the Nevada Higher Education Tuition Trust Fund (the "Fund"), which consists of payments received pursuant to a prepaid tuition contract, a bequest, endowment or grant from the Federal Government or any other public or private source of money. All income derived from investments in the Fund and gains from a sale or exchange shall be credited to the Fund. Money in the Fund that is not expended during any biennium does not revert to the state general fund at any time.

The Nevada Prepaid Tuition Program offers four plan types; a University Plan providing 120 credit hours (8 semesters) of tuition at a state university, a University Plan providing 60 credit hours (4 semesters) of tuition at a state university, a Community College Plan providing 60 credit hours (4 semesters) of tuition at a state community college, and a Community College Plus University Plan providing 60 credit hours (4 semesters) of tuition at a state community college and 60 upper division level credit hours (4 semesters) of tuition at a state university.

Purchasers are allowed to pay for their contracts by choosing one of three payment options: 1) a single lump sum payment, 2) equal monthly payments until the beneficiary reaches college age, or 3) a five year plan of 60 equal monthly payments.

The purpose of this actuarial valuation is to estimate the obligations of the Prepaid Tuition Program for all future payments associated with Prepaid Contracts purchased as of the valuation date. The value of those obligations is then compared with the Fund Balance to determine the current financial position of the Prepaid Tuition Program.

Statutory Requirements

Section 353B.160(10) states that “if the annual actuarial study performed pursuant to NRS 353B.190 reveals that there is insufficient money to ensure the actuarial soundness of the trust fund, the board shall modify the terms of subsequent prepaid tuition contracts.”

“Actuarially sound” is not a precise concept and there is no generally accepted understanding of the meaning of this phrase within the actuarial profession, especially with respect to Prepaid Tuition Programs. For purposes of this report, we have assumed that the phrase “actuarially sound” when applied to the Fund, means that the Fund has sufficient assets (including the value of future installment payments due under current contracts) to cover the actuarially estimated value of the tuition obligations under those contracts (including any administrative costs associated with those contracts).

We have also interpreted these Sections to require that the actuarial liabilities be evaluated using sound actuarial principles that are generally consistent with the practices and principles widely used for retirement programs. Reference to other programs is necessary because of the innovative nature of a Prepaid Tuition Program. No generally accepted Standard of Practice has evolved within the actuarial profession specifically addressing Prepaid Tuition Programs. We chose the standards applicable to retirement programs because these programs generally provide for payments at some future date where that payment has a high probability of payment at, or close to, some specific age.

Valuation Basis

For retirement programs, the traditional conservative approach to setting actuarial assumptions has been modified over the last 40 years due to the "best estimate" requirements of the Employee Retirement Income Security Act ("ERISA"). Moreover, it has been adopted by the Actuarial Standards Board in Actuarial Standard of Practice No. 27 regarding “Selection of Economic Assumptions for Measuring Pension Obligations.”

It is not clear to us from the statute which standard of “actuarial soundness” was contemplated by the legislature. For purposes of this report, we have adopted the "best estimate" approach.

The method for determining the “best estimate” liability for the Program reflects the possible variability of inflation, tuition, and investment returns and the correlation between each of these variables. This methodology is described in the section below, Variability of Results and Valuation Basis.

Investment Policy

The Investment Policy for the Prepaid Tuition Program is determined by the Board and implemented by the State Treasurer. The Investment Policy is important because it sets forth acceptable investment allocations among asset classes. The asset allocation affects the magnitude and variability of investment returns realized and therefore the financial structure of the plan.

For the Valuation, we have assumed that Program investments will be allocated as follows:

US Large Cap Equity	30%
US Mid-Cap Equity	10%
US Small Cap Equity	10%
Fixed Income	50%

Actuarial Assumptions

The actuarial assumptions used to prepare this report are summarized in Appendix C. The two most significant of those assumptions are the rate of investment returns and tuition growth in the future. The Nevada Prepaid Tuition Program Board selected both of these assumptions. They are:

- the investment return assumption of 7.50% per year (this is the same as the investment return assumption used to prepare the prior year's report); and,
- the tuition growth assumptions summarized in the table below.

	Universities	Community Colleges
Fall 2006	7.40%	3.45%
Fall 2007	7.50%	5.00%
Fall 2008	7.50%	5.00%
Fall 2009 and later	5.75%	5.00%

We believe that the Board's 7.50% investment return assumption is somewhat optimistic, but well within what we consider a "reasonable range."

Summary of Results

The actuarial value of the obligations of the Prepaid Tuition Program as of June 30, 2005 is summarized below and compared with the balance in the Fund.

	Present Value of Obligations for Future Payments	Value of Total Fund Assets*	Stabilization Reserve/(Deficit)
Prepaid Tuition Program:			
Tuition Obligations	$90,609,000	n/a	n/a
Administrative Expenses	690,000	n/a	n/a
Grand Total	$91,299,000	$97,003,298	$5,704,298

* Total Fund Assets is the sum of the market value of program investments and the present value of installment contract receivables.

The present value of future obligations for Administrative Expenses reflects the expected costs of administering existing contracts until all tuition benefits have been paid and the expenses associated with making those payments. It does not include the future expenses of the Program associated with general overhead and marketing.

As indicated above, the Fund has assets that exceed the best estimate of the obligations by roughly $5.7 million or 6.2% of obligations. Unfavorable future experience would adversely affect this position. It would be desirable to increase the stabilization reserve over time to provide a cushion against the risk of adverse deviations in tuition and/or investment growth experience.

Actuarial Gain/Loss Analysis

During the 2005 fiscal year, the stabilization reserve/(deficit) position of the Program increased from a stabilization reserve of $1,961,058 to a stabilization reserve of $5,704,298, which is 6.2% of obligations. The change is mostly attributable to contributions to the stabilization reserve from new sales. Each of the factors affecting the stabilization reserve is discussed below.

The stabilization reserve was expected to grow during the year by $147,079 due to the passage of time (the obligation is calculated as a present value which grows with interest each year).

During the 2005 fiscal year there were 703 enrollments. Each contract sold contributes to the stabilization reserve. We estimate that $2.2 million of stabilization reserve was generated by the new contracts resulting in an increase in the stabilization reserve. In addition, more contracts were sold than expected during the year, which generated a gain of $145,893.

In the development of the 2005 fiscal year prices for new contracts, a $500,000 budget was assumed. Actual administrative expenses paid out of the Trust were approximately $31,000 resulting in a $469,000 gain to the stabilization reserve.

The return on Fund investments was approximately 8.6% on a dollar-weighted basis. In the previous valuation, a 7.5% return was assumed. Thus, actual investment returns were 1.1% higher than expected. This increased the stabilization reserve by $723,284.

Tuition increased by 7.69% for universities and 3.57% for community colleges. The assumptions used in last year's valuation were 7.5% and 5.0% for universities and community colleges, respectively. This resulted in a net loss of approximately $100,000.

The economic assumptions regarding risk used in the stochastic model were updated. These changes increased the stabilization reserve by $100,000.

In summary, the stabilization reserve changes due to experience and assumption changes can be summarized as follows:

Stabilization Reserve / (Deficit) as of June 30, 2004	$1,961,058
Interest on the deficit at 7.5% due to the passage of time	147,079
Addition to stabilization reserve from new contracts	2,181,259
More contracts sold than expected	145,893
Budget savings	469,000
Investment gain	723,284
Tuition Loss	(100,000)
Change in assumptions	100,000
Other	76,725
Stabilization Reserve / (Deficit) as of June 30, 2005	$5,704,298

Variability of Results and Valuation Basis

The present values of the obligations shown above were based on assumptions that represent an estimate of anticipated experience under the Prepaid Tuition Program that are reasonably related to past educational cost and investment data. Differences between those projections and actual amounts will depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

A prime source of variation will be normal fluctuations that occur in the rate of increase in tuition, investment returns, inflation, etc. One way of estimating the range of possible outcomes is to stochastically model the financial operation of the Program using Monte Carlo techniques. This approach involves preparing 1,000 projections of financial results under randomly derived scenarios of tuition growth and investment returns. Each of these scenarios is based on statistical factors such as standard deviation and correlation that were established by reviewing historical results and then adjusting where appropriate to reflect current conditions.

For each scenario, we determined whether the Fund would run out of money before all tuition and expense obligations were paid. By tabulating the results under all of these projections we estimated the probability of having the assets of the Prepaid Tuition Program exceed its obligations. Note that for this analysis, a scenario where the Fund comes up as little as one dollar short is considered a scenario where Fund assets do not exceed obligations. Also note that we have assumed there are no additional contracts sold and no changes are made to the asset mix throughout the projection period. We have also assumed that all future installment payments will be made.

We have summarized in the table below the results of this process. It is important to understand that these results are only illustrative of the range of results that are possible and are dependent on the assumptions utilized. They do not necessarily represent the "true" probability of future events, which, of course, are unknown. The assumptions are presented in detail in Appendix C.

(Amounts in Millions)

Percentage of "Best Estimate" Reserve	Total Fund Value at June 30, 2005	Probability of Funds Exceeding Obligation
90%	$82.2	30%
100%	91.3	50%
106%	97.0	61% *
110%	100.4	67%
120%	109.6	79%
130%	118.7	89%
140%	127.8	94%
150%	136.9	96%

*Actual Fund Position

The "Best Estimate" Reserve of $91.3 million represents the level of assets necessary as of June 30, 2005 to achieve a 50% probability of sufficiency. This includes the present value of Installment Contract Receivables. The actual Fund balance at June 30, 2005 of $97.0 million is thus 106% of the actuarially determined "Best Estimate" Reserve. As indicated in the above table, this Fund balance is estimated to have a 61% probability of being adequate to satisfy all Program obligations. We believe the 61% figure should be viewed as a risk index. To date the Program has a goal to gradually build a Stabilization Reserve to help absorb the risk of adverse deviations in investment and tuition growth experience. As the Stabilization Reserve grows relative to the Program obligations, we would expect to see this risk index measure improve. We included in the table the probability of sufficiency associated with other funding levels to illustrate the sensitivity of this measure to the level of funding.

Data Reliance

In performing this analysis, we relied on data and other information provided by the Nevada Prepaid Tuition Program. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Cash Flow Projection

Appendix E shows a cash flow projection based on the actuarial assumptions. The starting Market Value of Investments as of July 1, 2005 is $77.0 million. At the end of the 2026 Fiscal Year all tuition obligations associated with units already purchased are expected to have been paid, resulting in a residual stabilization reserve of $30.1 million. Since the actuarial assumptions are intended to represent “best estimates” of future expenses, there is a 50% probability that results will be less favorable than indicated and a 50% probability that results will be more favorable.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We look forward to reviewing the results of our analyses with you and the Board at your earliest convenience.

Respectfully submitted,

MILLIMAN, INC.

Alan H. Perry, FSA, CFA
Member American Academy of Actuaries

William A. Reimert, FSA, CFA
Member American Academy of Actuaries

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Attachments

Nevada Prepaid Tuition Program

I. Statement of Assets as of June 30, 2005

Investments	Market Value
1) Equity	$42,937,654
2) Fixed Income	34,026,530
Total Market Value of Investments	$76,964,184
Present Value of Installment Contract Receivables	20,039,116
Value of Total Fund Assets	$97,003,298

II. Reconciliation of Investments

1) Investments at June 30, 2004	$63,610,782
2) Contract Purchase Payments	9,446,880
3) Investment Earnings	5,691,887
4) Tuition Payments and Refunds	(1,754,383)
5) Administrative Expense	(30,984)
6) Investments at June 30, 2005	$76,964,182
Dollar-weighted rate of return	8.6%
Time-weighted rate of return	9.2%

Appendix A

Nevada Prepaid Tuition Program

Participant Data as of June 30, 2005

Number of Contracts by Plan Type

Matriculation Year	University Plan (4 yrs)	Community College Plus University Plan	Community College Plan	University Plan (2 yrs)	Total
2002	67	14	4		85
2003	148	31	16		195
2004	256	41	17	13	327
2005	333	37	28	11	409
2006	377	59	31	17	484
2007	438	71	20	15	544
2008	456	69	37	23	585
2009	497	69	27	23	616
2010	538	60	23	21	642
2011	507	66	25	17	615
2012	536	66	26	18	646
2013	542	51	23	20	636
2014	477	54	21	25	577
2015	489	47	29	17	582
2016	541	51	18	21	631
2017	464	44	26	15	549
2018	461	41	17	13	532
2019	367	20	7	8	402
2020	157	19	7	14	197
2021	172	16	7	10	205
2022	122	11	3	6	142
Total	7,945	937	412	307	9,601

Appendix B

Nevada Prepaid Tuition Program

Summary of Actuarial Assumptions

Economic Assumptions for Simulation Model:

	Inflation	Large Cap	Mid Cap	Small Cap	Fixed Income	University Tuition	Community College Tuition
Expected Arithmetic Annual Return	2.50%	10.71%	11.71%	11.72%	5.00%	7.50%/ 5.85%	5.05%
Standard Deviation	3.10	17.33	19.71	22.62	7.45	4.82	5.24
Correlation with:							
Inflation	1.00	-0.19	-0.08	-0.01	-0.29	0.05	-0.02
Large Cap		1.00	0.88	0.79	0.47	0.12	0.49
Mid Cap			1.00	0.95	0.51	0.22	0.56
Small Cap				1.00	0.41	0.31	0.66
Fixed Income					1.00	0.14	0.35
University Tuition						1.00	0.72
Community College Tuition							1.00

Equivalent Deterministic Economic Assumptions:

The assumptions shown below, used deterministically, would produce the same "best estimate" obligation developed by the Simulation Model assumptions shown above and used in the valuation.

Consumer Price Index (CPI) Inflation Rate	2.50%, per annum
Investment Returns	7.37%, per annum
University Tuition Growth: Next 3 years	7.50%, per annum
University Tuition Growth: Thereafter	5.75%, per annum
Community College Tuition Growth	5.00%, per annum

Percentage of Contracts Requesting a Refund or Rollover Each Year:

Years Since Enrollment	Extended Payment Contract	60-Payment Contract	Lump Sum Contract
1 - 3	5.00%	3.00%	0.50%
4	3.50%	1.25%	0.50%
5	2.00%	1.20%	0.50%
6 or higher	0.50%	0.50%	0.50%

Nevada Prepaid Tuition Program

Summary of Actuarial Assumptions
(continued)

Expenses:

The expenses included in the present value of future obligations are those relating to:

Annual Maintenance Expense per Contract = $5.74
Annual Distribution Cost per Contract in Payment Status = $9.55

A monthly processing expense of $1.50 has been netted out in calculating the present value of Installment Contract receivables.

Expenses are assumed to increase at a rate equal to CPI + .5%.

Nevada Prepaid Tuition Program

Recent History of Per Credit Hour Tuition in Nevada

Academic Year	Average Community College Tuition	Percent Increase	University Tuition	Percent Increase
1982-1983	$17.00		$31.00	
1983-1984	20.92	23.0%	36.00	16.1%
1984-1985	20.88	-0.2	36.00	0.0
1985-1986	20.88	0.0	36.00	0.0
1986-1987	20.89	0.0	36.00	0.0
1987-1988	21.36	2.3	36.00	0.0
1988-1989	21.35	-0.1	40.00	11.1
1989-1990	21.34	0.0	40.00	0.0
1990-1991	24.00	12.4	46.00	15.0
1991-1992	26.00	8.3	49.00	6.5
1992-1993	28.00	7.7	55.50	13.3
1993-1994	29.50	5.4	55.50	0.0
1994-1995	30.50	3.4	58.00	4.5
1995-1996	33.50	9.8	61.00	5.2
1996-1997	36.50	9.0	64.00	4.9
1997-1998	38.00	4.1	66.50	3.9
1998-1999	39.50	3.9	69.00	3.8
1999-2000	41.00	3.8	71.50	3.6
2000-2001	42.50	3.7	74.00	3.5
2001-2002	44.00	3.5	76.50	3.4
2002-2003	44.50	1.1	79.00	3.3
2003-2004	47.25	6.2	85.00	7.6
2004-2005	49.00	3.7	91.00	7.1
2005-2006	50.75	3.6	98.00	7.7

Annualized Increase in Tuition

Over last 5 years:	3.6%	5.8%
Over last 10 years:	4.2	4.9
Over last 20 years:	4.5	5.1

Appendix D

Nevada Prepaid Tuition Program

Cash Flow Projection

($Millions)

Fiscal Year	Beginning Balance	Monthly Payments	Tuition Benefits	Expenses	Investment Income	Ending Balance
2006	$77.0	$5.4	$3.2	$0.065	$5.8	$84.9
2007	84.9	4.2	4.5	0.071	6.2	90.7
2008	90.7	3.4	6.1	0.076	6.6	94.5
2009	94.5	2.9	7.4	0.080	6.8	96.7
2010	96.7	2.2	8.0	0.076	6.9	97.7
2011	97.7	1.6	9.0	0.076	6.9	97.1
2012	97.1	1.3	9.6	0.075	6.8	95.5
2013	95.5	1.1	10.4	0.074	6.7	92.8
2014	92.8	1.0	11.1	0.072	6.4	89.0
2015	89.0	0.8	11.4	0.068	6.1	84.4
2016	84.4	0.7	11.7	0.065	5.7	79.0
2017	79.0	0.5	12.2	0.061	5.3	72.5
2018	72.5	0.4	12.3	0.057	4.7	65.2
2019	65.2	0.3	12.8	0.053	4.2	56.8
2020	56.8	0.2	12.4	0.048	3.5	48.1
2021	48.1	0.1	10.3	0.038	3.0	40.9
2022	40.9	0.1	8.6	0.030	2.5	34.9
2023	34.9	0.0	6.2	0.020	2.2	30.9
2024	30.9	0.0	3.6	0.011	2.1	29.4
2025	29.4	0.0	2.4	0.007	2.0	29.0
2026	29.0	0.0	1.1	0.003	2.2	30.1

SUMMARY OF INVESTMENT REPORTS

GIF Services contracts as the Program's consultant for investment management services for the Higher Education Tuition Trust Fund. Included in this annual report is the FY 05 annual investment summary as of June 30, 2005.

The asset allocation of the portfolio approved by the Board of Trustees of the College Savings Plans of Nevada is an equal split of 50% fixed income and 50% equities. GIF manages the fixed income investments using Atlanta Capitol Management as a sub-advisor. The Board has also approved an equity investment of GIF/INVESCO Enhanced Index Fund. The equity portion of the portfolio is diversified into six mutual funds. The Board allocates 57% to Large Cap, 21% to Mid Cap and 22% to Small Cap Equities. The six mutual funds in the equity investment are: Dodge & Cox Stock Fund, Goldman Mid Cap Value Fund, Vanguard Strategic Equity Fund, FMI Common Stock Fund, American Beacon Small Cap Value Fund and Royce Low-Priced Stock Fund. The Board examines the investment portfolio at every meeting and rebalances whenever considered appropriate by the Board.

The total returns for the investments in FY 05 on a quarterly basis are as follows:

- quarter ending September 2004: 0.81% with a balance of $64,970,710;
- quarter ending December 2004: 6.58% with a balance of $71,181,688;
- quarter ending March 2005: -0.65% with a balance of $73,791,210; and
- quarter ending June 2005: 2.27% with a balance of $76,964,182.

The six equity mutual fund investments composite return of 12.68% for the FYTD ending June 30, 2005 exceeded the Standard & Poor's 500 (Benchmark) by 636 basis points. The enhanced equity investment return for FY 05 of 7.50% exceeded the Standard & Poor's 500 (Benchmark) by 118 basis points. The composite fixed income investment return for FY 05 was 6.91%

The total annualized return for FY 05 ending June 30, 2005 for all the fixed income and equity investments combined was 9.16%.

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G.I.F. Services Investment Report

Summary of Investments

Nevada Higher Education Tuition Trust Fund Board

Quarter Ending June 30, 2005

Summary of Investments as of June 30, 2005

	2nd Quarter 2005	1 Year*	3 Years*	5 Years*
	Total Return	Total Return	Total Return	Total Return
Fixed Income Investment	2.93%	6.91%	5.09%	7.07%
Equity Investments	1.75%	10.95%	12.77%	-0.56%
Total Fixed Income and Equity**	2.27%	9.16%	9.45%	4.20%

	FY05	FY04	FY03	FY02	FY01
	Total Return	Total Return	Total Return	Total Return	Total Return
Fixed Income Investment	6.91%	-0.08%	8.66%	9.90%	10.33%
Equity Investments	10.95%	25.92%	2.62%	-19.78%	-15.45%
Total Fixed Income and Equity**	9.16%	13.02%	6.27%	-3.96%	-2.43%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment.

The market value of assets and total returns have been provided by the Atlanta Capital Management Company, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates are gross of advisory and custodial fees. The equity investments are net of the respective mutual fund expenses.

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G.I.F. Services Investment Report

GIF Sub-Advisor Managed Investments

Nevada Higher Education Tuition Trust Fund Board

Quarter Ending June 30, 2005

Summary of Portfolio Returns

Fixed Income Investment	Assets Under Management (at market value)	2nd Quarter 2005 Total Return	2nd Quarter 2005 Portfolio vs. Benchmark	2nd Quarter 2005 Spread +/- Benchmark	2nd Quarter 2005 Yield to Maturity	YTD January - June 2005 Total Return	YTD January - June 2005 Portfolio vs. Benchmark	YTD January - June 2005 Spread +/- Benchmark	Fiscal YTD 1 Year* Total Return	Fiscal YTD 1 Year* Portfolio vs. Benchmark	Fiscal YTD 1 Year* Spread +/- Benchmark
GIF/Atlanta Capital Mgt.	$ 17,324,530	3.16%	above	0.15%	4.00%	3.42%	above	0.90%	7.22%	above	0.41%
GIF/Trusco Capital Mgt.	$ 16,702,000	2.70%	below	-0.31%	4.20%	2.53%	above	0.01%	6.43%	below	-0.38%
Lehman Agg. Index (Benchmark)		3.01%	NA	NA	4.50%	2.52%	NA	NA	6.81%	NA	NA
Equity Investments:											
GIF/INVESCO Enhanced Index	$ 13,876,650	1.24%	below	-0.13%	NA	-0.14%	above	0.67%	7.50%	above	1.18%
S&P 500 (Benchmark)		1.37%	NA	NA	NA	-0.81%	NA	NA	6.32%	NA	NA

Summary of Investments

		2nd Quarter 2005 Total Return	January - June 2005 Total Return	1 Year* Total Return
Fixed Income Investment		2.93%	2.98%	6.91%
Enhanced Equity Investment		1.24%	-0.14%	7.50%
Mutual Fund Investments		2.00%	0.92%	12.68%
Total Fixed Income and Equity**	$ 76,964,182	2.27%	1.61%	9.16%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment.

The market value of assets and total returns have been provided by the Atlanta Capital Management Company, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates are gross of advisory and custodial fees. The equity investments are net of the respective mutual fund expenses.

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Investment Report

Mutual Fund Investments – Monitored by GIF

Nevada Higher Education Tuition Trust Fund Board

Quarter Ending June 30, 2005

Summary of Mutual Fund Investments*

		2nd Quarter 2005			YTD January - June 2005			Fiscal YTD 1 Year		
Equity Mutual Fund Investments		Total Return	Portfolio vs. Benchmark	Spread +/- Benchmark	Total Return	Portfolio vs. Benchmark	Spread +/- Benchmark	Total Return	Portfolio vs. Benchmark	Spread +/- Benchmark
Dodge & Cox Stock Fund	$ 10,616,036	0.56%			0.69%			13.12%		
S&P 500/Bara Value (Benchmark)		2.58%	below	-2.02%	0.09%	above	0.60%	11.18%	above	1.94%
Russell 1000 Value Index (Benchmark)		1.67%	below	-1.11%	1.76%	below	-1.07%	14.06%	below	-0.94%
Goldman Mid Cap Value Fund	$ 3,169,834	3.97%			6.17%			21.08%		
S&P Midcap 400/Barra Value (Benchmark)		4.86%	below	-0.89%	4.12%	above	2.05%	15.97%	above	5.11%
Russell Midcap Value Index (Benchmark)		4.70%	below	-0.73%	5.51%	above	0.66%	21.80%	below	-0.72%
Vanguard Strategic Equity	$ 3,094,303	5.04%			3.08%			16.37%		
S&P Midcap 400 (Benchmark)		4.26%	above	0.78%	3.85%	below	-0.77%	14.03%	above	2.34%
Russell Midcap Index (Benchmark)		4.18%	above	0.86%	3.92%	below	-0.84%	17.12%	below	-0.75%
FMI Common Stock Fund	$ 2,814,217	0.88%			0.83%			9.15%		
S&P Midcap 400 (Benchmark)		4.26%	below	-3.38%	3.85%	below	-3.02%	14.03%	below	-4.88%
Russell Midcap Index (Benchmark)		4.18%	below	-3.30%	3.92%	below	-3.09%	17.12%	below	-7.97%
American Beacon Small Cap VL	$ 4,947,227	4.04%			1.63%			16.01%		
S&P SmallCap 600/Barra Value (Benchmark)		4.11%	below	-0.07%	1.63%	met	0.00%	14.17%	above	1.84%
Russell 2000 Value Index (Benchmark)		5.08%	below	-1.04%	0.90%	above	0.73%	14.39%	above	1.62%
Royce Low-Priced Stock Fund	$ 4,419,385	0.55%			-4.04%			3.14%		
S&P SmallCap 600 (Benchmark)		3.94%	below	-3.39%	1.80%	below	-5.84%	13.45%	below	-10.31%
Russell 2000 Index (Benchmark)		4.32%	below	-3.77%	-1.25%	below	-2.79%	9.45%	below	-6.31%
Total Mutual Funds	**$ 29,061,002**									
Mutual Fund Composite Return		**2.00%**			**0.92%**			**12.68%**		
S&P 500 (Benchmark)		**1.37%**	**above**	**0.63%**	**-0.81%**	**above**	**1.73%**	**6.32%**	**above**	**6.36%**

* The returns shown for the mutual funds above are for the funds not the Trust Fund's investment in these funds. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment. The Mutual Fund Composite returns are approximate returns based on the weighted returns of each investment, utilizing the market value of each investment at the beginning of each quarter. On November 25, 2003, funds were transferred from the Strong Mid-Cap Disc. Fund to the Vanguard Strategic Equity Fund and the Strong Small Cap Value Fund to the American Beacon Small Cap Value Fund, respectively. On July 5, 2005 the Royce Low-Priced Stock Fund investment was liquidated and the funds were reinvested in the Harbor Small Cap Fund and the current mid-cap investments.

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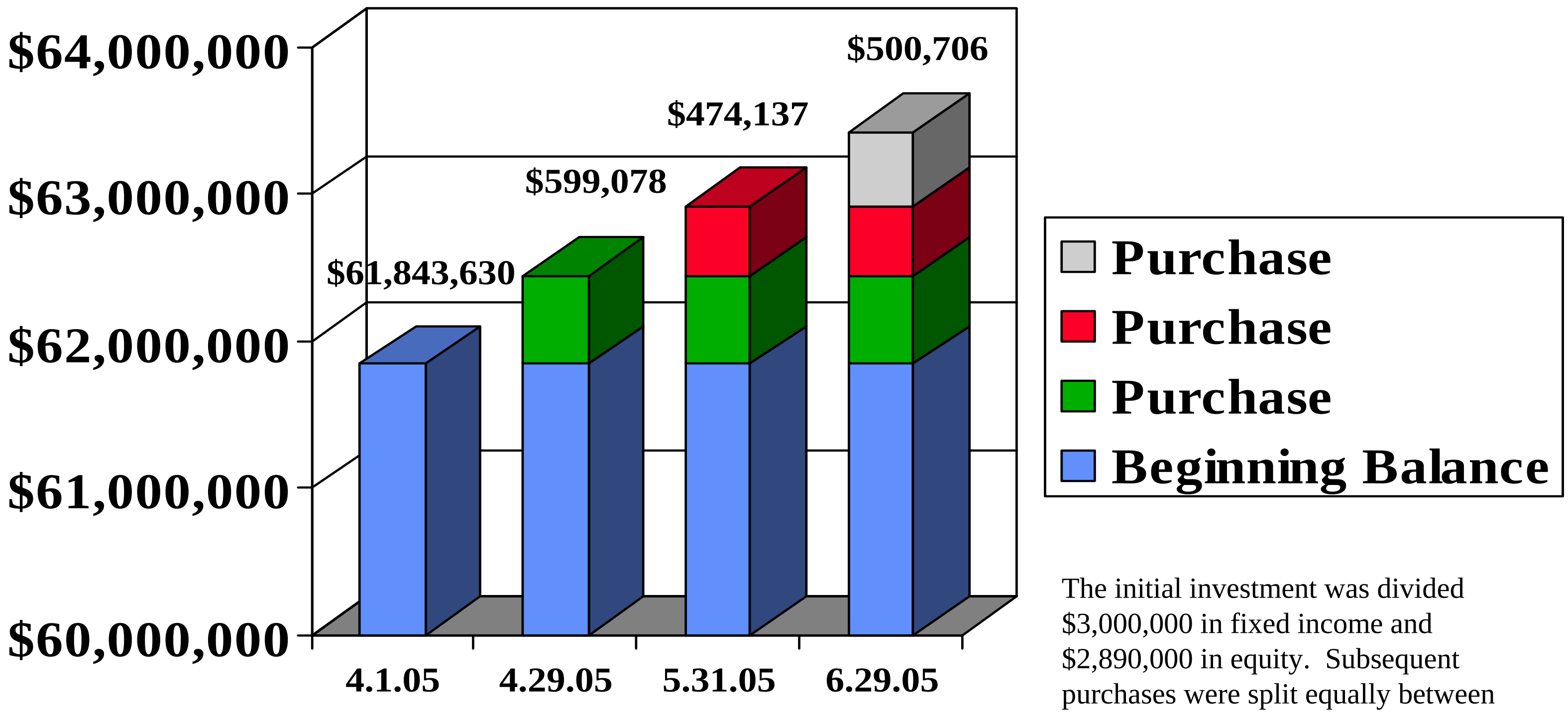
G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2005

Schedule of Investment Purchases

Total Principal Invested of $63,417,551

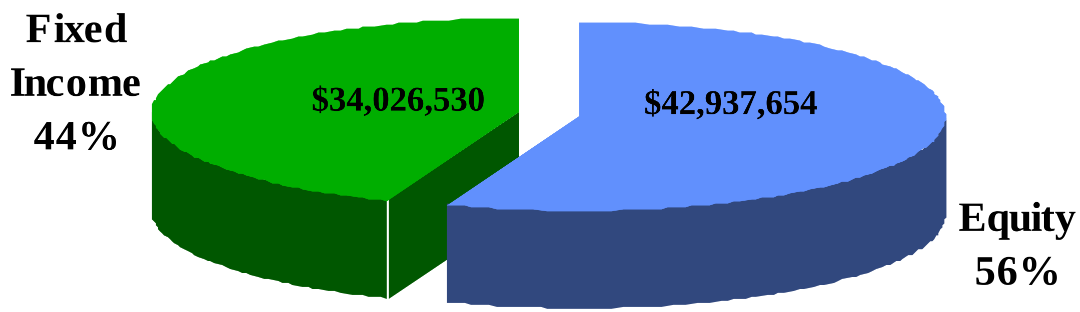


The initial investment was divided $3,000,000 in fixed income and $2,890,000 in equity. Subsequent purchases were split equally between fixed income and equity.

G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2005

Asset Distribution

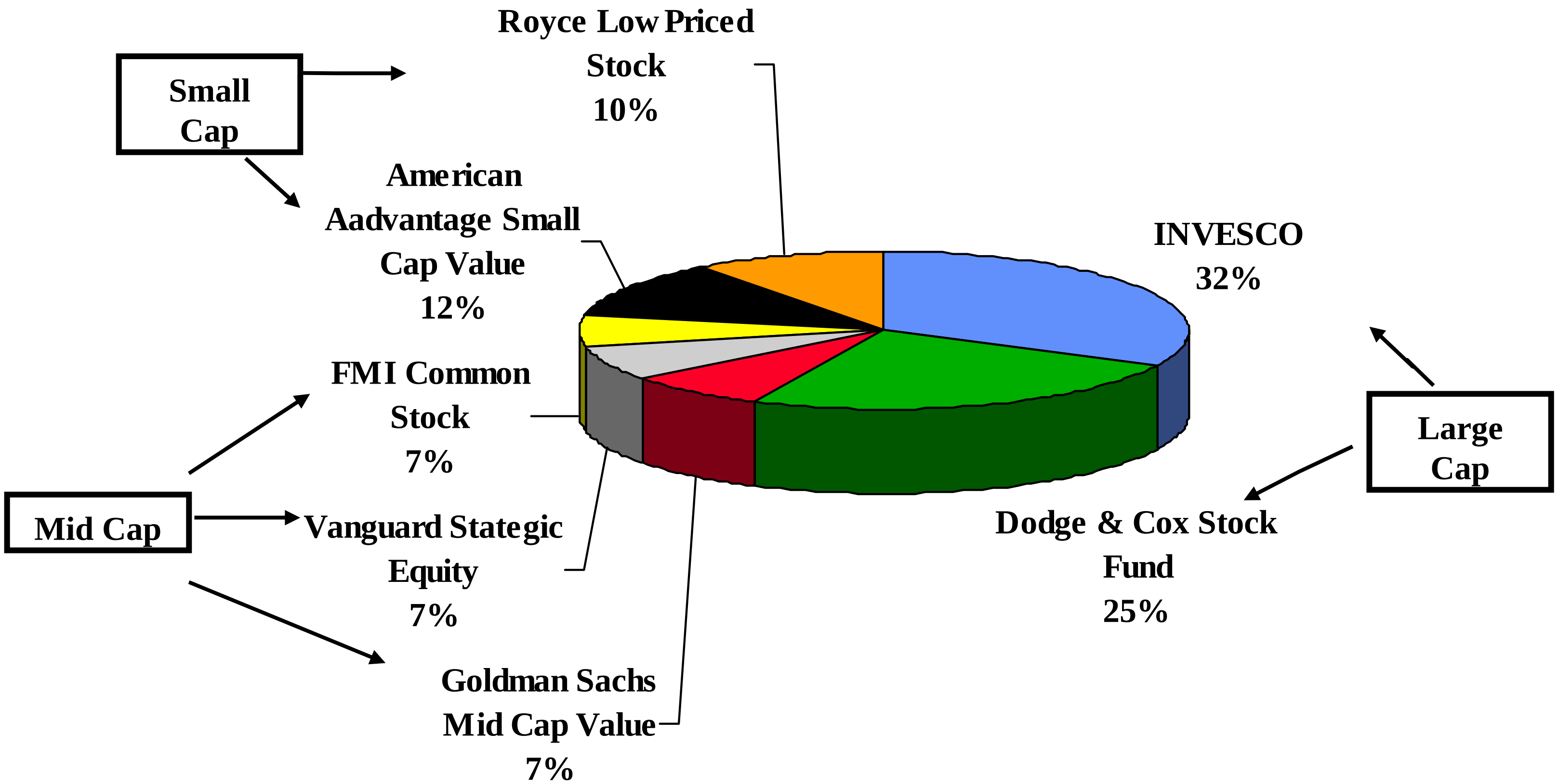
Market Value as of June 30, 2005



On August 28, 2002, $3,942,000 was transferred from the fixed income portfolio into equity investments to rebalance the investments.

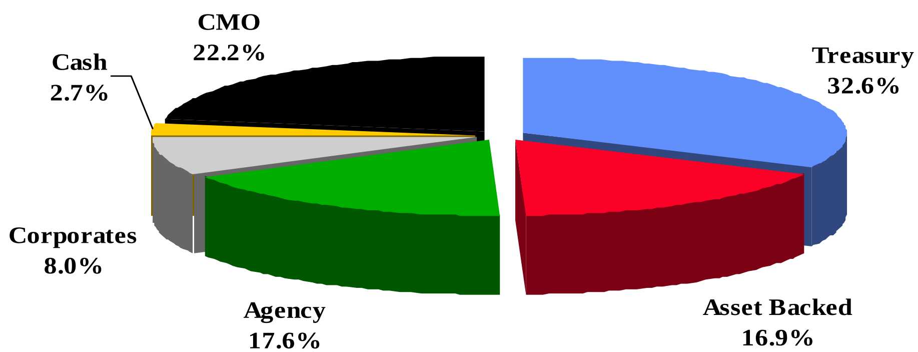
G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2005

Equity Investment Diversification
as of June 30, 2005



G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2005

Atlanta Capital Management Co.
Portfolio Diversification



Portfolio Comment

For the second quarter in a row, bonds beat stocks. Even as the Fed continued to raise its federal funds target rate from 2.5% to 3.25%, longer-term bonds rallied. The yield on 10-year and longer maturities fell a little over 0.5% in the quarter (flattening the yield curve) producing a 5.4% return for 10-year Treasuries and 9.4% for 30-year Treasuries. For the quarter, the Nevada Higher Education portfolio returned 3.16% while its benchmark, the Lehman Aggregate Bond Index, returned 3.01%. The portfolio's relative overweight in longer-term securities was the biggest contributor to relative performance in the quarter. For the fiscal year ended June 30, the Nevada Higher Education Fund has returned 7.22% versus the benchmark return of 6.81%. Over the last 12 months, the portfolio's shorter than benchmark duration strategy and *"barbell"* maturity structure were the key drivers of performance.

	2nd Quarter 2005						YTD			Fiscal Year - One Year*			3 Years*			5 Years*		
	Total Return	vs. LM Agg	+/- LM Agg	Current Yield	Yield to Maturity	Duration	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg
Atlanta Capital Mgt	3.16%	above	0.15%	3.80%	4.00%	3.8 yrs	3.42%	above	0.90%	7.22%	above	0.41%	5.35%	below	-0.41%	7.23%	below	-0.18%
Lehman Agg. (Benchmark)	3.01%	NA	NA	5.00%	4.50%	4.2 yrs	2.52%	NA	NA	6.81%	NA	NA	5.76%	NA	NA	7.41%	NA	NA

* Annualized Returns

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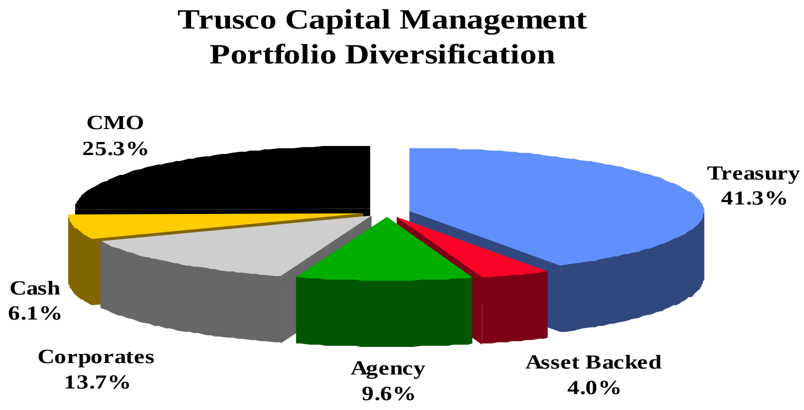
G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2005



Portfolio Comment

The portfolio posted positive returns in the second quarter despite a volatile quarter for the financial markets highlighted by debates on the direction and momentum of the economy. The underlying factors creating the uncertainty in the economy were raising oil prices and two additional Federal Reserve interest rate hikes. Bonds benefited from reports of continued moderate inflation and speculation that the Fed might slow the pace of tightening. Looking ahead, our outlook for the economy remains positive as it has all year, and we see the economic glass as “half-full’. Steady job gains should more than offset a reasonable rise in energy costs, allowing consumer spending to grow moderately. We anticipate moderately higher yields and a further flattening of the yield curve, though much of the move has already occurred. We are cautious on corporate and asset backed securities at these very tight levels.

	2nd Quarter 2005						YTD			Fiscal Year - One Year*		
	Total Return	vs. LM Agg	+/- LM Agg	Current Yield	Yield to Maturity	Duration	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg
Trusco Capital Mgt	2.70%	below	-0.31%	4.10%	4.20%	4.2 yrs	2.53%	above	0.01%	6.43%	below	-0.37%
Lehman Agg. (Benchmark)	3.01%	NA	NA	5.00%	4.50%	4.2 yrs	2.52%	NA	NA	6.80%	NA	NA

* Annualized Returns

MARKETING OBJECTIVES AND STRATEGIES

The Board of Trustees of the College Savings Plans of Nevada continues to contract with the Rose/Glenn Group to provide advertising and marketing for the Program. As approved by the Legislature, $102,500 is available each year to promote the Program across the State.

To leverage the best value from the amount of marketing money available, the State Treasurer's office combined marketing and public relations efforts with the Upromise College Fund 529 Plan. This has been done on several occasions using a variety of formats, including direct mail pieces, targeted e-mails, magazine placement in special education editions of *Newsweek* and *U.S. News & World Report*, and ADVO, which is the company behind the *Shopwise* brand and uses weekly mailers for targeted outreach.

Enrollment and Program information has been moved to a web-based format. The State Treasurer's office no longer prints enrollment brochures, instead making all of the information easily accessible online. Should an interested purchaser not have internet access, staff prints the pertinent information from the website and mails the enrollment form and program description and disclaimers. These changes have resulted in moderate annual cost savings.

The State Treasurer's office continues to do extensive outreach within the education community, distributing flyers and making presentations to schools, PTAs, and school counselor groups to promote the Program and explain its compatibility with the Millennium Scholarship Program and the Upromise College Fund 529 Plan, both administered by the State Treasurer.